1. Basis of Preparation and Accounting Policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Company has changed certain of its accounting policies following its adoption of new / revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those new HKFRS standards and interpretations issued and effective as at the time of preparing this information (July 2005). The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Company's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in Accounting Policies

(a) Effect of adopting new HKFRS

In 2005, the Company adopted the new / revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue

2. Changes in Accounting Policies (continued)

(a) Effect of adopting new HKFRS (continued)

HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new / revised HKASs did not result in substantial changes to the Company's existing accounting policies under HK GAAP. In summary:

- HKAS 1 has affected certain presentations of accounts in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity;
- HKAS 2, 8, 16, 21, 28, 36 have affected certain disclosures in the financial statements;
- HKAS 7, 10, 12, 14, 18, 19, 23, 27, 31, 33 and 37 did not have any material impact as the Company's existing accounting policies have already complied with the standards in all material respects; and
- HKAS 24 has affected the identification of related parties and the disclosure of related-party transactions.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold land was accounted for at cost less accumulated depreciation.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Company expends the cost of share options in the income statement. As no share option was granted after 7 November 2002, no adjustment was required in the income statement of the respective periods.

2. Changes in Accounting Policies (continued)

(a) Effect of adopting new HKFRS (continued)

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over a period of 2 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.4):

- The Company ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Company has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Company require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005;
- HKFRS 3 – prospectively after the adoption date.

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKAS 31, HKAS 38, HKFRS 2 and HKFRS 3.

(i) The adoption of revised HKAS 17

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(24,490)**	(24,782)
Increase in leasehold land and land use rights	**24,490**	24,782

2. Changes in Accounting Policies (continued)

(a) Effect of adopting new HKFRS (continued)

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKFRS-Int 4	Determining whether an Arrangement contains A Lease

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in note 2 to the 2004 annual financial statements except for the following:

2.1 ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to accounts based on their fair values at the date of acquisition.

2.2 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in HK dollar, which is the Company's functional and presentation currency.

2. Changes in Accounting Policies (continued)

2.2 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2.3 PROPERTY, PLANT AND EQUIPMENT

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary / associate / jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. Changes in Accounting Policies (continued)

2.5 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation, are at least tested annually for impairment, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

2.7 SHARE-BASED COMPENSATION

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

2.8 COMPARATIVES

The Group previously disclosed interest and dividend income within 'finance costs – net'. Management believes that their inclusion in 'other gains' is a fairer representation of the Group's activities.

3. Financial Risk Management

3.1 FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

(a) Foreign exchange risk

During the period, almost all of the Company's revenues, premiums for satellite insurance coverage and substantially all capital expenditure were denominated in U.S. Dollars. The Company's remaining expenses were primarily denominated in Hong Kong Dollars. At 30 June 2005, almost all the Company's transponder utilisation agreements, transponder purchase agreements, loan agreements, obligations to purchase telemetry, tracking and control equipment were denominated in U.S. Dollars. Hence, the Company does not have any significant currency exposure and does not need to hedge.

(b) Credit risk

The Company has no significant concentrations of credit risk. The Company maintains provision for impairment of receivables and for estimated losses that result from the inability of its customers to make the required payments. The Company bases its provision on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. The Company's evaluation also includes the length of time the receivables are past due and the general business environment.

If changes in these factors occur, or the historical data the Company uses to calculate the provision for impairment of receivables as of 30 June 2005 does not reflect the future ability to collect outstanding receivables, additional provisions for impairment of receivables may be needed and the Company's future results of operations could be adversely affected.

(c) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets or liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.4. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The issue of Indian tax is covered under Contingencies in note 14 below.

(c) Useful lives of in-orbit satellites

The Company's operations are capital intensive and it has significant investments in satellites. The carrying value of the Company's in-orbit satellites (AsiaSat 2, AsiaSat 3S and AsiaSat 4) represented 56% of its total assets as of 30 June 2005 (31 December 2004: 59%). The Company estimates the useful lives of satellites in order to determine the amount of depreciation expense to be recorded during the reported period. The useful lives are estimated at the time satellites are put into orbit and are based on historical experience with other satellites as well as the anticipated technological evolution or other environmental changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual lives of satellites are longer than the Company has estimated, the Company would have a smaller depreciation expense. As a result, if the Company's estimations of the useful lives of its satellites are not accurate or are required to be changed in the future, the Company's net income in future periods would be affected.

4. Critical Accounting Estimates and Judgements (continued)

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Realisability of the carrying amounts of long-lived assets

The Company is required to evaluate at each balance sheet date whether there is any indication that the carrying amounts of long-lived assets (primarily its satellites) may be impaired. If any such indication exists, the Company should estimate the recoverable amount of the long-lived assets. An impairment loss is recognised for the excess of the carrying amount of such long-lived assets over their recoverable amounts. The value in use is the discounted present value of the cash flows expected to arise from the continuing use of long-lived assets and cash arising from its disposal at the end of its useful life. The estimates of the cash flows are based on the terms and period of existing transponder utilisation agreements ("Existing Agreements").

Modifications to the terms of the Existing Agreements that result in shorter utilisation periods than previously agreed and/or those that result in the reduction in agreed rates will result in a lower recoverable amount (if the discount rate used is not changed); which may, in turn, result in a situation wherein the recoverable amounts are less than the carrying amounts (therefore, an impairment loss would need to be recognised).

(e) Provision for impairment of receivables

The issue is covered under credit risk in note 3.1(b) above.

5. Sales and Segment Information

Sales:

The Company's sales is analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Income from provision of satellite transponder capacity	**430,816**	429,968
Sales of satellite transponder capacity	**12,246**	8,272
Other revenue	**2,276**	112,872
	445,338	551,112

The Company has only one business segment, namely the operation, maintenance and provision of satellite telecommunication systems for broadcasting and telecommunications. The Company's primary reporting format for segment reporting purposes under HKAS 14 "Segment Reporting" is the geographical basis. For the purpose of classification, the country where the customer is incorporated is deemed to be the source of sales. However, the Company's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between geographical segments. Accordingly, no geographical analysis of expenses, assets and liabilities has been presented.

The following table provides an analysis of the Company's sales by geographical markets:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Hong Kong	**167,276**	157,302
Greater China, including Taiwan	**99,780**	94,112
United States of America	**38,597**	147,171
United Kingdom	**24,410**	24,993
British Virgin Islands	**8,305**	20,064
Others	**106,970**	107,470
	445,338	551,112

6. Capital Expenditure

	Intangible assets - Licences	Property, plant and equipment	Leasehold land and land use rights
	HK$'000	HK$'000	HK$'000
Opening net book amount as at 1 January 2005	—	2,894,467	24,782
Additions	750	18,874	—
Disposals	—	(7,985)	—
Depreciation/amortisation charge (Note 10)	—	(146,243)	(292)
Depreciation/amortisation charge eliminated on disposals	—	7,977	—
Closing net book amount as at 30 June 2005	750	2,767,090	24,490
Opening net book amount as at 1 January 2004	—	3,140,034	25,365
Additions	—	27,197	—
Disposals	—	(1,457)	—
Depreciation/amortisation charge (Note 10)	—	(142,887)	(292)
Depreciation/amortisation charge eliminated on disposals	—	1,385	—
Closing net book amount as at 30 June 2004	—	3,024,272	25,073
Additions	—	14,706	—
Disposals	—	(5,707)	—
Depreciation/amortisation charge	—	(144,495)	(291)
Depreciation/amortisation charge eliminated on disposals	—	5,691	—
Closing net book amount as at 31 December 2004	—	2,894,467	24,782

7. Trade and Other Receivables

	30 June 2005 HK$'000	31 December 2004 HK$'000
Trade receivables	**89,614**	95,938
Less: provision for impairment of receivables	**(20,243)**	(23,230)
Trade receivables – net	**69,371**	72,708
Receivables from related parties (Note 17)	**23,265**	17,954
Other receivables	**3,591**	4,520
Deposits and prepayments	**64,980**	37,226
Loan receivable from an associate (Note 17)	**2,730**	5,070
	163,937	137,478

The Company does not normally provide credit terms to its trade customers. The Company usually bills its trade customers quarterly in advance in accordance with its agreements. The aged analysis of trade receivables is stated as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
0 to 30 days	**20,003**	34,047
31 to 60 days	**16,962**	18,318
61 to 90 days	**10,972**	11,424
91 to 180 days	**12,820**	3,796
181 days or above	**8,614**	5,123
	69,371	72,708

8. Share Capital

	Number of shares (thousands)	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 30 June 2005 and 31 December 2004	**390,266**	**39,027**	**4,614**	**43,641**

The total authorised number of ordinary shares is 550,000,000 shares (31 December 2004: 550,000,000 shares) with a par value of HK$0.10 per share (31 December 2004: HK$0.10 per share). All issued shares are fully paid.

SHARE OPTION SCHEME

A share option scheme is adopted to provide incentives to employees and directors and to promote the long term financial success of the Company. The details of the scheme are the same as those set out in note 21 to the 2004 annual financial statements.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

OPTION A:

	30 June 2005		31 December 2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,691,500**	17.48	1,691,500
Granted	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Lapsed	**17.48**	**(32,000)**	—	—
At 30 June/31 December	**17.48**	**1,659,500**	17.48	1,691,500

8. Share Capital (continued)

OPTION B:

	30 June 2005		31 December 2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**17.48**	**1,753,000**	17.48	1,768,000
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	**17.48**	**(98,000)**	17.48	(15,000)
At 30 June/31 December	**17.48**	**1,655,000**	17.48	1,753,000

OPTION C:

	30 June 2005		31 December 2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**14.35**	**3,481,500**	14.35	3,481,500
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	**14.35**	**(105,000)**	—	—
At 30 June/31 December	**14.35**	**3,376,500**	14.35	3,481,500

8. Share Capital (continued)

Out of the 6,691,000 outstanding options (31 December 2004: 6,926,000 options), number of exercisable options are as follows:

	30 June 2005		31 December 2004	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
Option A	**17.48**	**1,659,500**	17.48	1,691,500
Option B	**17.48**	**1,655,000**	17.48	1,753,000
Option C	**14.35**	**1,688,250**	14.35	870,375
Total		**5,002,750**		4,314,875

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 30 June 2005	Share options 31 December 2004
25 November 2006	17.48	**1,659,500**	1,691,500
30 September 2009	17.48	**1,655,000**	1,753,000
3 February 2012	14.35	**3,376,500**	3,481,500
		6,691,000	6,926,000

9. Other Gains

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interest income	**16,458**	3,373
Gain on disposal of property, plant and equipment other than transponders	**100**	183
Others	**4**	—
	16,562	3,556

10. Expenses by Nature

Expenses included in cost of services and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Salary and other benefits, including directors' remuneration	**33,050**	33,958
Contributions to retirement benefits schemes	**2,120**	2,151
Total staff costs	**35,170**	36,109
Auditors' remuneration	**530**	370
Provision for impairment of receivables	**—**	7,930
Depreciation, amortisation and impairment expenses (Note 6)		
- Property, plant and equipment	**146,243**	142,887
Operating leases		
- premises	**3,133**	2,751
- leasehold land & land use rights	**292**	292
Net exchange loss	**193**	102

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

Overseas tax, including the Foreign Enterprises Income Tax in the People's Republic of China, is calculated at 5% to 20% of the gross revenue earned in certain of the overseas jurisdictions.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	**23,963**	29,687
- Overseas taxation	**9,712**	9,066
Deferred income tax reversal	**(7,015)**	(4,074)
	26,660	34,679

The Company currently has a tax case in dispute with the Indian tax authorities. Details of this are set out in note 14.

12. Earnings per Share

BASIC

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**185,240**	253,619
Weighted average number of ordinary shares in issue (thousands)	**390,266**	390,266
Basic earnings per share (HK$ per share)	**0.47**	0.65

12. Earnings per Share (continued)

DILUTED

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options of dilutive potential ordinary shares. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Profit used to determine diluted earnings per share	**185,240**	253,619
Weighted average number of ordinary shares in issue (thousands)	**390,266**	390,266
Adjustments for – share options (thousands)	**53**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**390,319**	390,266
Diluted earnings per share (HK$ per share)	**0.47**	0.65

13. Dividends

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Final dividend paid of HK$0.27 (2003: HK$0.24) per share	**105,372**	93,664
Interim dividend proposed of HK$0.08 (2004: HK$0.08) per share	**31,221**	31,221
	136,593	124,885

(a) At a meeting held on 17 March 2005, the directors proposed a final dividend of HK$0.27 per share for the year ended 31 December 2004, which was paid on 18 May 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.

(b) At a meeting held on 24 August 2005, the directors declared an interim dividend of HK$0.08 per share for the year ending 31 December 2005. This proposed dividend is not reflected as a dividend payable in these condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

14. Contingencies

Under Indian tax regulations, the Company may be subject to Indian income tax on revenues received by the Company in respect of income from provision of satellite transponder capacity to the Company's customers for purposes of those customers carrying on business in India or earning income from any source in India.

The Indian tax authorities have assessed the Company for income tax as follows:

Assessment year	Amount HK$ (approximate)	Amount INR (approximate)
1997-98	20 million	115 million
1998-99	23 million	141 million
1999-00	22 million	127 million
2000-01	14 million	84 million
2001-02	29 million	171 million
2002-03	38 million	210 million
Total	146 million	848 million

The Company has filed appeals for each of the assessment years 1997-98 to 2002-03.

No assessment has yet been made for the 2003-04 or 2004-05 assessment years.

The Income Tax Appellate Tribunal (the "Tribunal") in an earlier appeal filed against the original assessment for the assessment year 1997-98 held that the Company is liable for Indian income tax under certain circumstances. The Company does not believe that it is liable for the Indian income tax as held by the Tribunal and has filed an appeal against the Tribunal's decision. The tax authorities have also filed an appeal against the Tribunal's decision. Both the appeals have been admitted by the High Court.

14. Contingencies (continued)

In order to obtain a stay of recovery proceedings, the Company has made payments as follows and has recorded these payments as an asset on the assumption that the amounts are recoverable:

Assessment year	Amount HK$ (approximate)	Amount INR (approximate)
1997-98	13 million	78 million
1998-99	15 million	88 million
1999-00	10 million	62 million
2000-01	9 million	50 million
2001-02	20 million	119 million
2002-03	27 million	148 million
Total	94 million	545 million

In addition, based on the general principles set forth by the Tribunal, the amount of income taxable in India depends on the payments made by the Company's customers to the Company for the purpose of those customers carrying on business in India or earning income from any source in India. As such information is proprietary in nature and has not been provided by the Company's customers, the Company cannot reasonably estimate the taxable income and therefore also cannot estimate the amount of income tax to which the Company may be assessed. Furthermore, as stated above, the Company has filed an appeal against the Tribunal's decision. The appeal has been admitted by the High Court and is pending before the Court. Accordingly, no provision has been recognised for Indian income tax in the Company's financial statements.

15. Operating Leases

The Group as lessee

At 30 June 2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Within one year	**5,467**	6,504
One to two years	**7,030**	10,647
Later than two years	**—**	—
	12,497	17,151

Operating lease payments represent rental payable by the Group for certain of its office and residential premises. Leases are negotiated for an average term of two to four years.

The Group as lessor

Income from leasing of office premises during the period was HK$276,000 (2004: HK$92,000). The lease is negotiated for four years.

At 30 June 2005, the Group had contracted with the customer for the following future minimum lease payments:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Within one year	**552**	552
One to two years	**552**	552
Two to three years	**460**	552
Three to four years	**—**	184
	1,564	1,840

16. Commitments

CAPITAL COMMITMENTS

Capital expenditure at 30 June 2005 but not yet incurred is as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
A satellite earth station		
Contracted for but not provided in the financial statements	**1,623**	15,561
Other investment projects		
Authorised but not contracted for	**20,979**	5,486
Other assets		
Contracted but not provided for in the financial statements	**6,473**	345
	29,075	21,392

17. Related-Party Transactions

The following transactions were carried out with related parties:

i) Income from provision of satellite transponder capacity

The Group has entered into an agreement for the provision of transponder capacity to a subsidiary of CITIC, CITIC Guoan Information Industry Company Limited. CITIC is a substantial shareholder of the Company throughout the period.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
CITIC Guoan Information Industry Company Limited	**1,326**	1,775
SpeedCast Limited (an associate)	**13,796**	8,069
	15,122	9,844

17. Related-Party Transactions (continued)

ii) Agency fee

In addition, the Group has entered into an agreement with CITIC Technology Company Limited, a subsidiary of CITIC, for collecting money from China customers on behalf of the Company.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
CITIC Technology Company Limited	**368**	299

iii) Key management compensation

The Group recognised fees for Non-executive Directors to SES GLOBAL and a subsidiary of CITIC for certain Non-executive Directors representing SES GLOBAL and CITIC.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
SES GLOBAL	**238**	238
A subsidiary of CITIC	**262**	262
	500	500

iv) Interest income on loan receivable from an associate

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
SpeedCast Limited (an associate)	**123**	222

17. Related-Party Transactions (continued)

v) Period-end balances arising from these transactions

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Receivables from related parties (Note 7):		
CITIC Technology Company Limited	17,501	14,628
SpeedCast Limited (an associate)	5,764	3,326
	23,265	17,954
Payables to related parties:		
CITIC Technology Company Limited	447	770

vi) Loan receivable from an associate

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Loan receivable from SpeedCast Limited:		
Beginning of the period	5,070	7,279
Loans advanced during the period	—	1,301
Loan repayments received	(2,340)	(3,510)
End of the period (Note 7)	2,730	5,070

The amount is secured, bearing interest at 6% per annum and is repayable within one year.

No provision has been required in 2005 and 2004 for the loans made to the associate.